



Little risk from VAT supply splitting clause

Finance Bill aims to iron out VAT planning scheme

Proposed changes in VAT rating on printed matter are most likely to affect printing companies' customers rather than printing companies themselves, the BPIF is advising.

A clause included in the draft Finance Bill aims to withdraw zero rating from printed goods in the exempted categories matter where "the supply of the goods is connected with a supply of services and those connected supplies are made by different suppliers".

The new wording, which aims to update the VAT Act 1994, also makes clear that a supply of goods will be considered as being connected with a supply of services if those two supplies would have been treated as a single supply of services had they been made by a single supplier.

The new wording comes not long after the BPIF wrote to HMRC to clarify the VAT position for companies supplying printed matter for marketing purposes, such as direct mail and mail inserts.

Working jointly with the Institute of Practitioners in Advertising and the Direct Marketing Association, we called for any service to supply printed mail inserts and direct mail by a given supplier to be treated as a

"single supply", with all elements associated with production and fulfilment eligible for VAT zero-rating. This would include design, data processing, finishing and distribution in addition to printing.

BPIF Financial Alliance partners BGT Tax claim this clause is being enacted to counter a very specific VAT planning scheme which split out the supply of zero rated printed matter from a standard rated supply of subscription services by using two separate but connected companies to make the supplies separately.

Customer knows

In BGT Tax's view, the new legislation should not significantly affect the printing industry as the person required to treat the supplies as outside of the zero rating provisions will normally be the customer of the printing business.

They are usually the only ones who will know whether or not the supply is a "connected supply" as defined in the legislation. As long as your printing business is not in any way involved in this kind of supply arrangement – where what you supply is so connected to a supply of services by another supplier that it should be treated as one supply – then your

entitlement to zero rate supplies of printed matter should not be compromised.

In any case, the change to the liability of the supplies of printed matter only takes effect from the date the Finance Act, which was published in draft form on 31 March, is passed – an event which isn't expected to happen until early summer. So there is no risk of there being financially crippling retrospective assessments – a concern we specifically raised in the joint letter from the three trade bodies.

If your company has already received an assessment or ruling from HMRC based on the draft legislation, please email andrew.brown@bpif.org.uk and we will arrange for BGT Tax to speak to you to see if there is anything that can be done to have the assessment withdrawn. Please also contact us if you find yourself subject to future assessments relating to VAT supply splitting that may compromise your ability to zero rate, or if you are asked to accept onerous indemnity clauses in customer contracts.

→ For more information contact Andrew Brown, Public Affairs Adviser, email andrew.brown@bpif.org.uk



"THERE IS NO RISK OF THERE BEING FINANCIALLY CRIPPLING RETROSPECTIVE ASSESSMENTS - A CONCERN WE SPECIFICALLY RAISED IN THE JOINT LETTER."